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**Philippine-U.S. Relations: The Impasse over Basing  
American Forces in the Philippines**

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## Philippine-U.S. Relations: The Impasse over Basing American Forces in the Philippines

### Summary

Negotiations concerning the U.S. military presence in the Philippines are reaching a decisive stage. At issue are Clark Air Base and Subic Bay Naval Base, the largest U.S. overseas bases in the world, and four minor facilities. Their strategic location makes these facilities the foundation of the U.S. security umbrella for the entire Pacific/East Asia region.

Philippine policy makers are caught in a dilemma. Emotionally, American forces in the Philippines signify a long-term political and economic dependence on the U.S. that cripples the development of strong national identity. Practically, an American departure would affect the jobs of 78,000 Filipinos employed by the U.S. Government and 275,000 others dependent on the bases, cost at least \$2 billion per year in lost direct and indirect economic benefit, decrease regional stability, and increase political instability within the Philippine government.

### Issue Definition

Due to the perceived decline of the Soviet threat, the drawdown of the U.S. military, and, as a matter of principle, the U.S. is willing to move its forces and facilities to alternate Pacific locations or to the U.S. Although the Bush administration believes it serves U.S. interests to retain the bases over the next 10 to 12 years, it is not prepared to provide the \$5.7 billion the Philippines is asking for a 7 year lease extension. \$5.7 billion is double the current U.S. offer to the Philippine government, but less than the cost to relocate facilities.

The Philippine government debate is divided into two opposing groups: the nationalists want the U.S. to vacate facilities beginning in 1991 followed by immediate Filipino privatization. The other group wants to offset the economic losses of a U.S. withdrawal by the a phased departure of American presence over 7 years, increased

lease/aid payments, phased privatization of Clark Air Base to a commercial airport, and privatization of Subic Bay into a ship-repair facility, with the U.S. Navy as a major customer.

## Background and Analysis

### *History-The Root of Philippine Nationalistic Desires*

The history of the Philippines since the 1500s is one of domination by foreign powers. Many believe this has kept the Philippines from reaching its full potential.

Ferdinand Magellan first visited the Philippines in 1521; they were named for the future King Philip II of Spain in 1542; and Spanish conquest began in 1560. Resentment against Spanish bigotry and oppression brought about a move for independence during the 19th century. To the disappointment of Philippine nationalists, Spain ceded the Islands to the U.S. in 1898 in the aftermath of the Spanish-American War under of the Treaty of Paris. From 1899 to 1902, these nationalists fought the Philippine-American War demanding autonomy from the U.S. Subsequently, the United States moved large numbers of additional troops into the Islands and set up permanent long-term residence in the Philippines.

The first legislature was formed in 1907; the 1917 Jones Act extended Filipino autonomy further. The 1935 Tydings-McDuffie Act proclaimed the Philippines a "self-governing Commonwealth."

Corregidor fell to the Japanese in May 1942, but Douglas MacArthur's Leyte Gulf landing liberated the Philippines in October 1944. While American bases remained in U.S. hands after World War II, on July 4, 1946, the Philippines was jointly declared an "Independent Republic." A mutual defense treaty--still valid today--was signed between the U.S. and the Philippines in August 1952.

Ferdinand Marcos became President of the Philippines in 1965 and continually suppressed Muslim separatist, Communist, and liberal opposition to his rule. He declared martial law in 1972, and in 1973 became a virtual dictator under a new constitution. Corey Aquino was elected President after Marcos' fall from power and in

February, 1987 a new democratic constitution was ratified. In it, the basing issue was addressed as follows: "After expiration of the Military Bases Agreement with the U.S. in 1991, foreign military bases in the Philippines will be permitted only pursuant to the terms of a treaty concurred in by the senate and, if required by congress, ratified by popular vote."

### *The Philippine Perspective*

The centuries-long Philippine struggle for independence and surging nationalism are two of several reasons for the Filipino perspective on the basing issue. Other reasons are the perception that the Soviet threat in the area no longer requires U.S. presence; anger at past unmet promises of U.S. aid, particularly in the FY 90/91 package promised by the Reagan administration; frustration with Washington's strong backing of the Aquino government; and the sense that the Filipino people must end their dependence on the U.S. if they are ever to control their economy and politics.

Dr. James Gregor, Professor of Political Science at the University of California at Berkeley and Principal Investigator of the Pacific Basin Project, identifies Filipino Nationalists with the following contentions:

"(1) the U.S. has politically, economically, and psychologically exploited the Philippines since its investment of the archipelago around the turn of the century, (2) the economic and political development of the Philippines requires "delinking" the nation from the trammels of "multinational corporations" and the financial institutions dominated by Washington, and (3) all the cultural traits that manifest themselves in corrupt practices, malfeasance in office, and dysfunctional political behaviors among Filipinos are the direct result of U.S. cultural imperialism."

Economics, however, complicates the problem. Prior to FY 90/91, the U.S. had provided only \$5 billion in direct aid since 1946. The FY90/91 two year aid package was \$962 million, although not all was paid. Aid packages traditionally have been divided between the Military Assistance Program, the Economic Support Fund, housing

investment guarantees, development assistance, and food aid. Depending on the length of any new lease, Manila's current request is between \$400 and \$870 million per year, more than double what the U.S. is offering. Without calculating the cascading effects of an American withdrawal, it is generally accepted that direct and indirect aid from the U.S. accounts for around 2.5% of Philippine gross domestic output.

Additionally, 15,000 U.S. military personnel and their 24,000 dependents spend millions within the Philippine economy; over 78,000 Filipino workers are employed by the bases; and 275,000 Filipinos depend on the bases for their livelihood. Closing the bases would remove almost \$1 billion per year from local economies.

Politically, the Aquino government is faced with a paradox. On one hand, the people look to the government for leadership, independence, economic security, and future prosperity as the Philippines finds its place in the post-Cold War "new world order." Ending its dependence on the U.S. is a factor that will allow the Philippines to move from adolescence into adulthood.

On the other hand, the economic consequences in the short term are politically unacceptable--the combination of lost aid, jobs, and American spending. Alienating the U.S. politically could jeopardize U.S. investment which currently runs about \$1.3 billion per year. The Philippines could lose their trade preferences granted by the U.S., which allow Filipino items to enter the U.S. market without tariff constraints. Further, they could forfeit any possibility of a potential \$10 billion "mini-Marshall Plan" for the mid-1990s--an aid/loan package now being discussed in Washington.

These possibilities could devastate an economy whose rate of growth has declined from 6.5% in 1988 to less than 2% in 1990. Moreover, unemployment and underemployment presently exceeds 30%. The World Bank estimated last year that 70% of the Filipino population lives in poverty with 50% of this number at the subsistence level. Dr Gregor believes the withdrawal of U.S. support of the Philippine economy would reduce the rate of growth to negative numbers.

In the military arena, the defense budget is one of the lowest in Asia and forces are poorly equipped. Among direct threats to the government are 19,000 communist guerrillas on 40 active fighting fronts. Additionally, the Philippines maintains a military garrison in the Spratly Islands as well as oil wells off the Reed Bank, on territories claimed by Beijing as part of the Chinese "motherland." The Philippine's single squadron of outdated F-5 fighter and small force of fifty small patrol naval vessels would clearly be outnumbered in a territorial conflict with China. Without the security of the U.S. military presence, the government would have to redirect resources into a large military build-up.

Privatization of U.S. facilities and development of a major ship-repair facility at Subic Bay seem to be a political middle-of-the road answer. A phased departure of forces combined with solid aid payments and American help in privatizing industry meets most Philippine objectives. However, negotiations require skilled diplomacy on the part of the Philippines; asking too much could alienate American negotiators who, in turn, could recommend that the U.S. simply remove all existing equipment and facilities, thus complicating Philippine privatization efforts.

### *The American Perspective*

U.S. strategic interest in a continuing presence in the Philippines covers four broad areas. First, presence in the Philippines provides regional stability in the Pacific/East Asia arena. Even with changes in the global security landscape, U.S. strategy requires continued presence in the Pacific through the next 10 to 12 years. Second, presence in the Philippines benefits the spread of democracy in this part of the world. Third, the strategic location of the Philippines provides access to the Pacific, East Asia, the Indian Ocean and the lines of communication from the Pacific to the Indian Ocean, and to the Middle East. Ship refurbishment and resupply from the Philippines was essential in the Kuwaiti reflagging operation and has played a role in the current Persian Gulf conflict. Finally, the U.S. is committed to fulfilling the terms of the 1952

mutual defense treaty with the Philippines and presence is considered the best way to do this.

Moving from national strategy to military strategy, Secretary of Defense Dick Cheney cites seven reasons for continued presence in the Philippines. First, despite change within the Soviet Union, the Soviet Far East military capability far exceeds defense needs. Second, the North Korean military still threatens the Korean peninsula. American forces and capabilities in the Philippines would play a crucial role in a Korean conflict. Third, nations such as China, Korea, Burma, Vietnam, Cambodia, and others will undergo significant changes internally during the next decade and presence in the Philippines is important to regional stability. Fourth, India and China continue to develop as regional powers with increasing military capabilities that can only be counterbalanced by U.S. presence. Fifth, numerous regional claims and counterclaims to territory exist in Pacific/East Asia area and presence again provides stability. Sixth, unimpeded flow of oil from the Middle East to U.S. Asian Allies depends on keeping the Straights of Malacca and other Indonesian chokepoints open and the strategic location of the Philippines is critical to meeting this requirement. Finally, proliferation of chemical, biological, nuclear, and ballistic missile capabilities over the next decade will require presence in the theater, ideally in the Philippines.

Cheney has said, "Without our presence there would be a series of destabilizing regional arms races and an increase in tensions, if not outright conflict." However, Cheney has also stated, "But we shall stay only as long as we can work out an acceptable agreement to renew our right of access to the facilities...there is a limit to what we can pay for two bases in the Philippines."

Economic factors affecting the U.S. position include lease and withdrawal cost estimates. Presently, depending on the length of the leases, the U.S. is offering between \$160 and \$520 million dollars to the Philippine government. This is only one half of the amount requested by the Philippines, but this is far less than the cost of pulling forces out into fallback locations (estimated \$4 billion) followed by building new facilities at several locations to replace lost



facilities in the Philippines (between \$7 and \$10 billion). No single potential replacement site could accommodate all of the functions now performed in the Philippines and alternatives are expensive, time-consuming to develop, and operationally less effective because they would be spread over the entire theater of operations.

During a time of restructuring for the U.S. military, fiscal restraints and world-wide shrinking of the U.S. basing structure must be weighed against the strategic value of these installations over the next decade.

Diplomatically, the U.S. must be sensitive to the need for Philippine independence. A strong, democratic Philippines could add a new dimension to the strategic balance in the region. While two of three Manilans actually favor keeping the bases for the foreseeable future, a vocal minority sees continued U.S. presence as the "last vestige of domination of a former colony, and an infringement on Philippine sovereignty." Future relations with the Philippines will depend in part on the diplomacy with which the transition is handled throughout the phase-down of U.S. presence.

### **Recommendations**

The U.S. is faced with a difficult situation in the Philippine basing problem. On one hand, the U.S. is the world leader in supporting democratic governments in their quest for true independence. On the other, the strategic value of Philippine bases makes it difficult to give them up.

The Soviets have seemingly become less of a threat in the area, yet still retain military capabilities greater than needed for their own defense. Further, the potential for change and possible regional conflict in the area remains high during the mid-term.

Analysis of political, military, economic and diplomatic factors leads to the following recommended overall strategy:

First, the U.S. should negotiate a diminishing presence in the Philippines for the next decade. This must be accomplished in a manner that will not place U.S. or Philippines strategic interests in the region at risk, and with the economic survivability and

independence of the Philippines as an objective. Some have suggested a major ceremony marking the departure of American forces in 1998, the one hundredth anniversary of the ceremonial "Declaration of Philippine Independence from Spanish Rule."

Second, diplomatic effort to renegotiate and update the 1952 Mutual Defense Treaty should be accomplished. A phased departure of American forces and capabilities might be offset by negotiations that could provide for a small skeleton mid-term presence with major exercises and temporary deployment of forces to the area only once or twice a year. This could show continuing U.S. presence in the area at acceptable force levels in-country while still providing a measure of regional stability.

Third, the U.S. should be a key partner in the privatization of shipyards at Subic Bay and in the conversion of Clark Air Base into a commercial airport. Long-term ship-refurbishment contracts should be negotiated with the Philippine government to provide employment. The U.S. Navy would be a major customer, and work can be done at cheaper rates there than anywhere else in the world. Equipment at both Clark and Subic Bay should be given to the Philippine government as part of future aid packages to help privatization efforts.

Fourth, the U.S. should help the Philippines update its own military equipment for defense against regional threats and internal Communist insurgency. As the U.S. military downsizes, some military equipment could be transferred to the Philippines as an addition to future aid packages. Technology restrictions on sales to the Philippines should be lifted.

Fifth, in addition to privatization efforts at Clark and Subic Bay, the Crow Valley gunnery complex should also be privatized as an international military training complex. The U.S. and other countries could contract for range facilities and training, much like the Red Flag Training Ranges at Nellis AFB, Nevada, a lucrative operation. Relationships formed through this could also help provide regional stability.

Sixth, in the long term, the U.S. should plan for technology and force structure changes that offer the speed, range and flexibility to

project force and influence over long distances from the U.S. in a short time. Advance warning systems and the ability to reach hot spots in hours rather than days could obviate the need for some forward bases while still protecting U.S. and allied interests.

Underwriting all these recommendations should be a comprehensive study redefining the security interests of the U.S. in the Pacific/East Asia area in the mid and long terms.

### *Strength of the Recommendations*

The right thing for the United States to do is yield to Filipino aspirations while not pulling the security rug out from under the Islands. A phased departure of forces combined with reasonable aid in terms of both dollars and donation of equipment important to privatization are key to economic and political stability. Militarily, building an effective, updated military will help provide domestic and regional security.

Political, economic, and military stability, in turn, will lead to increased opportunity over the mid- to long-term for the Philippines. In 1985, 388 foreign multinational corporations had offices in the Philippines. In 1989, only 120 remained. This has cost thousands of jobs and billions in lost economic opportunity for the Filipino people. Stability is the only way to bring these opportunities back, and American help is the only way to ensure this stability.

The final strengths of a U.S. phased departure are that it allows America important lead time to study its mid- to long-term interests in the region and to develop alternatives for continued influence in the Pacific. It also allows other countries in the region to reevaluate their security requirements and to form alliances and agreements that can strengthen regional stability. A phased departure provides a measure of reversibility to the process should it be needed. Finally, U.S.-Philippine cooperation preserves the large amount of good will that has developed over many years and sends a positive message to potential adversaries in the region that the U.S. is committed to a prosperous, democratic Philippines.

### Weaknesses of the Recommendations

Even if the U.S. follows the above recommendations for phasing, the vocal Filipino nationalistic minority could insist on the immediate departure of American forces, and expel them. This is a prescription for disaster as the Philippines would likely tumble into economic chaos without U.S. support and aid. Further, a quick departure would destabilize the region leaving a power vacuum that could be filled by either China, Japan, the Soviet Union, or smaller regional players in the Pacific/East Asia arena.

The recommendations don't fully take into account the growing isolationist tendencies related to the post-Cold War era in the U.S. It may be politically unwise (and unpopular) to maintain large amounts of aid to the Philippines at a time when the size of the U.S. military and the structure of U.S. overseas basing is shrinking. The public may also be angry at the forceful nature of Filipino demands for increased aid viewing this as ungratefulness for years of American support and protection.

Finally, we may not have a choice over how and when to withdraw forces from the Island. The 1992 Filipino presidential election could serve as a major turning point in the history of U.S./Philippine relations; the major issues will revolve around nationalism, basing of foreign forces in the Islands, and economics. Quite simply our answers to the basing question may be made for us in the voting booths.

